

**MINUTES
of the
FIRST MEETING
of the
NEW MEXICO FINANCE AUTHORITY (NMFA) OVERSIGHT COMMITTEE**

**June 6, 2007
State Capitol, Room 322
Santa Fe**

The organizational meeting of the NMFA Oversight Committee for the 2007 interim was called to order by Representative Daniel P. Silva, chair, on Wednesday, June 6, 2007, at 10:17 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Rep. Daniel P. Silva, Chair
Sen. Mary Kay Papen, Vice Chair
Rep. Janice E. Arnold-Jones
Rep. Elias Barela
Rep. Richard J. Berry
Sen. Joseph J. Carraro
Sen. Clinton D. Harden, Jr.
Rep. Patricia A. Lundstrom
Rep. Jane E. Powdrell-Culbert
Sen. Lidio G. Rainaldi
Sen. Nancy Rodriguez
Rep. Henry Kiki Saavedra
Sen. H. Diane Snyder
Rep. Don L. Tripp
Rep. Richard D. Vigil

Advisory Members

Sen. Ben D. Altamirano
Sen. Vernon D. Asbill
Rep. Jose A. Campos
Sen. Kent L. Cravens
Rep. Anna M. Crook
Rep. Candy Spence Ezzell
Rep. Daniel R. Foley
Sen. Mary Jane M. Garcia
Rep. Thomas A. Garcia
Rep. Roberto "Bobby" J. Gonzales
Rep. Ben Lujan
Sen. Richard C. Martinez
Rep. W. Ken Martinez
Sen. Leonard Lee Rawson
Rep. Edward C. Sandoval
Rep. James R. J. Strickler

Absent

Rep. Dona G. Irwin
Sen. Shannon Robinson

Sen. Pete Campos
Rep. Ernest H. Chavez
Sen. Dianna J. Duran
Sen. Stuart Ingle
Sen. Steven P. Neville
Rep. Sheryl Williams Stapleton
Sen. James G. Taylor

Rep. Thomas C. Taylor
Rep. Luciano "Lucky" Varela

Staff

Doris Faust
Cleo Griffith
Zach Taylor

Guests

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

Wednesday, June 6

Call to Order

Representative Silva extended his welcome to all new and prior committee members and requested Bill Sisneros and Mark Valenzuela to alter their presentation to provide an overview of the NMFA and explain how the entity fits with the legislature.

Bill Sisneros, executive director of the NMFA, remarked that the NMFA is thriving in its fourteenth year of existence. Mr. Sisneros explained that the NMFA was originally conceived as a bond bank with the purpose of offering small entities and municipalities better bond rates than they could acquire themselves. He explained that this is possible because the bonds of smaller entities are pooled together and taken to market together, thereby allowing for the pricing to be more effective, with a reduction in issuance costs. Mr. Sisneros reported that the exceptional bond rankings achieved by the NMFA are indicative of its success.

Mr. Sisneros explained that bonding programs function akin to loans, in which entities seeking bonds pledge an available income stream to pay off the note. He commented that the governmental gross receipts tax (GGRT) is an additional revenue stream on the bonds that increases the marketability of the bonds. The structure created by the NMFA is unique to New Mexico and is being examined as a possible model for other states.

Mr. Sisneros introduced Mark Valenzuela as the special project director of the NMFA and the legislative liaison between the two entities. Steve Flance is the chair of the NMFA Board of Directors. As such, Mr. Flance scrutinizes programs and policies undertaken by the NMFA. Mr. Sisneros reported that the board of directors is diverse, with extensive experience. The board ensures that projects for which funding is sought are financially viable.

On general questioning from the committee, Mr. Sisneros stated that:

- the NMFA is a quasi-public agency that specializes in financial structuring of projects. The NMFA has financial advisors to work with communities and entities to ensure that they do not become over-leveraged; and
- the board members, including the chair, are appointed by the governor. The NMFA is not subject to the Personnel Act, but is compliant anyway.

Representative Varela commented that he would like more interaction between the committee and the NMFA, in light of the fact that all approved projects must have the blessing of the legislature. Representative Silva asked the NMFA to provide a review of all ongoing projects that have been approved by the legislature at the next meeting.

Mr. Valenzuela explained that the GGRT is a five percent excise tax on governmental gross receipts. The GGRT generates \$25 million a year and is used as a pledge for bonds. Mr. Valenzuela reported that 75 percent of the GGRT is distributed to the public project revolving fund, 24 percent of the money goes to the Energy, Minerals and Natural Resources Department and one percent is allocated to the Cultural Affairs Department for improvements to all state museums and monuments.

On continued questioning from the committee, Mr. Sisneros and Mr. Valenzuela stated that:

- when an entity has pledged all its bonding sources, the NMFA has grant programs in line to help the communities or it has the option of refinancing the existing debt. The NMFA is not the only option that entities and municipalities have;
- the GGRT is an umbrella/insurance for all projects, not a revenue stream for repayment of the bonds; and
- the NMFA sees three to five percent growth on its funds annually.

Mr. Sisneros provided insight into the NMFA Smart Money Program that is designed to help small municipalities and entities get increased attention and cooperation from banks. The NMFA collaborates with lenders to share risks in financing business ventures. The NMFA is limited to covering 49 percent of the debt, not to exceed \$5 million.

In regard to questioning on Smart Money from the committee, Mr. Sisneros reported that:

- as a result of transacting business with banks, the NMFA is held to a certain level of confidentiality by banking regulations;
- Smart Money helps finance public improvement projects by encouraging private lenders to invest in private entities around the state;
- the NMFA is currently working on a plan to address legislative concerns regarding confidentiality issues and the Smart Money Program; and
- there is a difference between Smart Money funds and those of the Public Project Revolving Fund.

There was discussion of the reasons the Smart Money Program authorization bill did not pass. Several legislators expressed concerns regarding the support of a tilapia project that was included in the bill.

Recess

Representative Silva recessed the meeting until 1:30 p.m. so committee members could attend the attorney general's presentation on the Gift Act.

The meeting was called back to order by Senator Papen at 2:15 p.m.

Mr. Sisneros opened with a recap of the proposed Aqua Culture Project that was to be

undertaken in Hidalgo County, which he reported was much larger than the perceived "tilapia" legislation. He added that the presence of the project on the bill would not guarantee a loan for that project, since the project would be subjected to the NMFA approval process.

Senator Papen identified a possible need for an executive committee composed of the voting members of the oversight committee that would have access to proprietary information and increase the transparency of the projects coming before the legislature. Senator Papen also proposed that the oversight committee meet an additional time in December or early January to examine a list of projects to be considered during the next session.

Representative Silva announced that the committee would move on to the afternoon agenda and move the "Legislation Overview from Recent Session" to a future meeting of the committee. Representative Silva asked Mr. Valenzuela to begin the review of the Local Transportation Infrastructure Fund (LTIF) rules.

Review and Approval of LTIF Rules

Mr. Valenzuela stated that there is a need to approve the rules, as the legislature is required to approve and review the rules under which the NMFA will operate. Mr. Valenzuela reported that LTIF was made possible by GRIP financing as a portion of the fee taken by the NMFA is invested in New Mexico road projects. The legislature has already approved \$20 million to cover the grant portion of LTIF. Mr. Valenzuela stressed that without approval of the rules, LTIF projects cannot go forward. He stated that if every eligible municipality came forward to draw on the fund, there would be a demand of \$38 million. With only \$20 million available, there must be a way to determine how the money gets allocated.

Marquita Russel of the NMFA, in response to questioning from the committee, added that:

- money provided from the LTIF may be used to pay the hard costs of a project, including the engineering, planning, etc.;
- the money can be used as a match for federal funds; and
- LTIF funding is very broad in what it allows. LTIF can fund an entire project by loan or provide a grant for up to 25 percent of a project. Grants do not require findings of hardship on the municipality and have lesser requirements than loans provided under LTIF.

Several members of the committee voiced concerns regarding the amount of oversight the legislature actually has and the intent with which LTIF rules were promulgated. Senator Papen moved to approve the rules and Representative Vigil seconded the motion. After extensive discussion, the rules were approved with 10 votes in favor, one against and one abstention.

Overview and Status of GRIP I and GRIP II Programs, Project Selection and Financing

Rhonda Faught, secretary of transportation, addressed the committee regarding the status of the GRIP I project. Secretary Faught stated that 53 projects were undertaken in GRIP I, with awards of \$642 million. Of the \$642 million, \$561 million has been paid out toward completing the 53 projects. For fiscal year 2007, 22 projects are being planned with expenditures around \$314 million. Secretary Faught added that every project in GRIP is in the process of being completed. Of the projects, 92 percent of the contracts have been awarded to New Mexico contractors. Secretary Faught reported that this is a good figure because the state is not allowed under federal law to give an in-state preference.

On general questioning from the committee, Secretary Faught reported that:

- federal funding for roadway projects has decreased this year due to increased spending on the war in Iraq and Hurricane Katrina clean-up in New Orleans;
- the NMFA always has money coming in from the federal government, although some of the money is considered to be in suspense;
- 18 of the 53 projects authorized by GRIP I are completed;
- the NMFA is currently studying funding issues arising from the rapid increase of construction costs;
- the Rail Runner should be fully operational to Santa Fe by late fall 2008; and
- a project list for GRIP II will be made available soon.

Review and Discussion of Work Plan, Meeting Dates and Locations for 2007 Interim

Representative Silva thanked the presenters from the NMFA and moved the agenda to discussion of the work plan and future meeting sites of the NMFA Oversight Committee. Representative Lundstrom asked to have discussion over House Memorial 35 added to the October meeting. Representative Saavedra motioned to have the July meeting in Taos if Ruidoso is unavailable. There was also discussion of moving the August meeting to Taos. The committee voted to leave the July meeting in Ruidoso, dependent on availability, and to leave the August meeting in Albuquerque and adopted the proposed work plan as amended.

Adjournment

The organizational meeting of the NMFA Oversight Committee was adjourned by Representative Silva at 4:15 p.m. with thanks to the members of the committee.